

# EXHIBIT 2

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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

23 Civ. 1346 (JSR)

TERRAFORM LABS PTE LTD., ET  
AL.,

Hearing

Defendants.

New York, N.Y.  
November 17, 2023  
2:00 p.m.

Before:

HON. JED S. RAKOFF,

District Judge

APPEARANCES

U.S. SECURITIES AND EXCHANGE COMMISSION  
Attorneys for Plaintiff  
BY: CHRISTOPHER J. CARNEY  
JAMES P. CONNOR  
LAURA E. MEEHAN

DENTONS US LLP  
Attorneys for Defendants Do Hyeong Kwon and Terraform Labs  
BY: DOUGLAS W. HENKIN  
LOUIS A. PELLEGRINO, III  
MARK CALIFANO  
MATTHEW A. LAFFERMAN  
DAVID L. KORNBLAU

Also Present:

Elliott Bacon, Katten Muchin Rosenman  
Sarah Gonzalez, Paralegal

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Edman - Cross

1 questions myself, again, I'll give defense counsel the first  
2 shot and then SEC counsel. Though we may have to interrupt for  
3 a few minutes at 4:00 o'clock.

4 CROSS-EXAMINATION

5 BY MR. CALIFANO:

6 Q Good afternoon, Dr. Edman?

7 A Good afternoon.

8 Q So as part of your examination and analysis, one thing that  
9 you agreed upon and determined was that the LP server uses  
10 what's known as a RESTful API; is that correct?

11 A That's one component of it, yes.

12 Q But it was also the case, do you agree, that unless inputs  
13 are made into that RESTful API, that LP server will not execute  
14 any transactions on the blockchain; is that right?

15 A The LP server source code that I reviewed did require  
16 inputs, whether via the RESTful API or via certain databases  
17 that the LP server relied on.

18 Q But because you did not examine any of that input or could  
19 not determine what system was providing that input, you could  
20 not determine who or what was exercising control over those  
21 transactions that the LP server was performing; is that right?

22 A Well, first, the inputs to the server were not available  
23 for review.

24 THE COURT: Yes. I'm going to interrupt you on that  
25 because that's something that I was unclear of from the papers.

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Edman - Cross

1 As I understand it, there was some data that was requested, I  
2 guess, by the SEC that was never produced, what? By Chai?

3 MR. CARNEY: Never produced by defendants. We had  
4 discussions with, in particular Mr. Califano, who said he was  
5 making his best efforts to obtain the data from a company  
6 called Naver that was apparently hosting the data on behalf of  
7 Gaza Labs, which was a Terra-affiliated company. And by virtue  
8 of that, they were asking Naver to provide them the data, but  
9 were unable to get Naver to turn the data over to them.

10 THE COURT: So what about that?

11 MR. CALIFANO: Well, your Honor, there's a little more  
12 information, I think, that the Court needs to consider about  
13 that. First of all, according to evidence that the SEC has  
14 included in its own motion for summary judgment, the head of  
15 engineering for e-wallets at Chai had explained that the LP  
16 server actually sits with the Chai server on the Chai system.  
17 What we do know from the information that was provided that was  
18 available to TFL and was provided to the SEC was that control  
19 of that Naver cloud was not in the hands of TFL.

20 TFL has produced every document and every relevant  
21 piece of code or other data that it had in its possession. TFL  
22 also made efforts to try to get access to any of that server  
23 information through Gaza Labs and even through Naver cloud,  
24 which is sort of like the Amazon web services for Korea. But  
25 more importantly, your Honor, both the SEC and the defendants

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Edman - Cross

1 have made requests, which your Honor approved directly, to Chai  
2 for all of this information and we are still waiting for it.  
3 We want it, the SEC wants it, but we don't have it.

4 MR. CARNEY: Your Honor, if I --

5 THE COURT: Yes. But then we are going to have to  
6 stop and then we'll resume it because this is not unimportant.  
7 So I want to get everyone's view, but I guess my narrow  
8 question at the moment is if the data is produced by Chai, then  
9 doesn't it make sense then to give it to the experts for both  
10 sides to allow a supplemental report from each side if it  
11 changes anything in a material way, yes?

12 MR. CALIFANO: Yes, your Honor.

13 MR. CARNEY: Yes, your Honor.

14 THE COURT: You would agree with that? Okay.

15 And secondly, where is Chai located?

16 MR. CARNEY: In Korea.

17 THE COURT: Okay. All right. To be continued.

18 We will take a 15-minute break.

19 (Recess)

20 THE COURT: So just to finish up on that little  
21 question, are there efforts that the SEC can apply for that  
22 they haven't yet applied for to try to compel production of  
23 those documents from Chai?

24 MR. CARNEY: Well, your Honor, first, I think it's  
25 important to make clear that there's two separate sets of data

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Edman - Cross

1 that we're talking about. And so when I was talking about the  
2 efforts of defense counsel to obtain data, I was specifically  
3 talking about their efforts to obtain Terraform data. There's  
4 this device called the LP server, and the evidence shows that  
5 it was Terraform employees, there was an employee by the name  
6 of Paul Kim, and I think in some of the briefing you would've  
7 seen the chat message. He's the fellow that says the LP server  
8 is just replicating Chai transactions. So the LP server was  
9 something that was controlled by Terraform, and we asked  
10 Terraform for that. And that's what started this dialogue  
11 which we attached to our briefing about their efforts to go to  
12 Naver and get that information. So that's one category of  
13 data.

14 THE COURT: Let's stop on that just for a minute so we  
15 don't get two things confused. So what about that?

16 MR. CALIFANO: Your Honor, Paul Kim, according to the  
17 evidence, was one of the people would wrote the code for the LP  
18 server and wrote the code for another piece of operation that  
19 Dr. Edman examined in his opinion. The operation of the LP  
20 server was something that was conducted in Chai systems. That  
21 information and that evidence is sitting in the government's  
22 own filings in their motion for summary judgment.

23 What we have tried to do, nevertheless, because  
24 Mr. Kim is a TFL employee and that kind of work that software  
25 companies often perform by writing code for the operation of a

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Edman - Cross

1 system that they may or may not fully control the operation of,  
2 we have done everything we can to gather all the information in  
3 our possession or in the possession of TFL and have produced it  
4 to the SEC.

5 We are also interested in all of the data that was put  
6 into the LP server and all of the structure of that Chai  
7 payment system ourselves, which is why we have sought  
8 independently to try to get that information. But we have had  
9 to do what we have to do by going to third parties to get it  
10 because we do not have possession of it and nor do we have  
11 control over it. That is why we both made our independent  
12 efforts to make those requests from Gaza Labs, which at one  
13 point did initially open the version of Amazon web services  
14 where all the Chai systems were operated. We have gone to the  
15 actual web hosting company to try to get them to respond to us,  
16 and we have joined the SEC in making those requests to Chai  
17 because we would also like to see that data.

18 THE COURT: So to the extent that the data has not  
19 been produced that was requested, is any of that data in or  
20 controlled by companies in the U.S.?

21 MR. CALIFANO: Not that we're at all aware of, your  
22 Honor. It's all in Korea.

23 THE COURT: Okay. So then I want to come back to the  
24 SEC. So I know you made and I approved your applications. I'm  
25 just wondering whether there are other things that could be

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Edman - Cross

1 done to try to have those applications complied with. So any  
2 thoughts on that?

3 MR. CARNEY: I mean, we could certainly give it some  
4 thought. I know that a request from your Honor carries a lot  
5 more weight than a request from us, so I'm not sure --

6 THE COURT: That's why I'm raising it. I'm happy to  
7 make requests, but I need to see what's -- there are two  
8 possibilities. There are things that I can compel. That would  
9 be true of, for example, anything in the United States, but  
10 that's not the issue here. There are things that I can  
11 formally request like in Hague Convention applications and  
12 stuff like that. And then there are things that I can less  
13 formally request such as letters to relevant judges in foreign  
14 countries and so forth.

15 All those seem to me to be at least worth thinking  
16 about, but we'd need to act fairly quickly because the trial  
17 date, by the way, is, as I'm sure I've said before, firm,  
18 fixed, final, and unmoveable.

19 So okay, let's go back to the witness. Counsel was  
20 putting some questions.

21 MR. CALIFANO: Thank you, your Honor.

22 BY MR. CALIFANO:

23 Q Dr. Edman, I think the last question I may have asked you --  
24 and I just want to make sure that I've gotten this correctly --  
25 is that, because you did not examine any of the input data that



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Edman - Redirect

1 developers of these systems. I reviewed information related to  
2 a website called Chai Scan, which purported to track Chai  
3 payment transactions, deposition transcripts, really a variety  
4 of sources.

5 Q And is it normal in your line of work for someone to  
6 review, for instance, communications between developers?

7 A Yes. In I would say pretty much every single  
8 investigation, including blockchain-related investigations,  
9 that involves, you know, not just analyzing and collecting  
10 blockchain data, but also adding context to that data by  
11 examining other sources.

12 Q And how is it that you can determine what the LP server did  
13 in this case without the inputs that defense counsel referred  
14 to?

15 A Well, the LP server is just source code and a fairly small  
16 application at that. So I could analyze that source code. I  
17 could look at what it expected the inputs to be, and I could  
18 analyze what it would do with those inputs. It's a  
19 deterministic system. So given certain inputs, you can analyze  
20 the software and determine what the outputs are. In this case,  
21 the outputs from the LP server are blockchain transactions  
22 which are public, and so I was able to identify the properties  
23 of those blockchain transactions based on reviewing the source  
24 code associated with the LP server and then identifying those  
25 transactions on the public Terra blockchain.